

EC Consultation on renewable energy projects – permit-granting processes & power purchase agreements



EFET response – 12 April 2022

We fully support the Commission initiative to develop guidance that would help Member States to identify and address barriers to the uptake of renewable PPAs, both within national markets and cross-border. Renewable PPAs are essential for the market-based deployment of renewable energy, as they offer the long-term price guarantee required by investors and reduce the cost of capital. A number of barriers to the uptake of renewable PPAs remain.

These include continued use of support schemes allocating support on an administrative, rather than competitive basis, such as feed-in tariffs (FiTs). Those schemes are not only more costly to consumers than competitive allocation schemes or market-based instruments, but also remove the incentive for developers to enter into renewable PPAs with private parties, as the schemes are often more generous than a competitive commercial contract linked to market prices would be.

Another obstacle to the growth of renewable PPAs is policies with respect to the issuance of Guarantee of Origin (GoOs). GoOs are an integral part of a renewable PPA, as they allow the buyer to claim the renewable attributes of the consumed electricity. Therefore, when a producer is not allocated the GoOs associated with its production because that producer receives financial support (a rule that exists in some EU Member States), the producer would find it difficult to conclude renewable PPAs with corporate or other types of offtakers who would wish to make sustainability claims on the basis of those contracts.

A third important challenge comes from national-level interpretations of the Commission EU ETS State Aid Guidelines (e.g., in Germany), where energy-intensive industries get compensation for the indirect EU ETS costs when sourcing electricity from conventional generation (see Commission study on “Competitiveness of corporate sourcing of renewable energy”). Since renewable PPAs are usually priced on the forward curve (i.e., on expectations of future wholesale electricity prices), which is influenced by the carbon price, these measures effectively penalise consumers who purchase renewable power through PPAs.

We support the EU Commission Communication from September 2020 outlining Guidelines on certain State aid measures in the context of the system for greenhouse gas emission allowance trading post 2021 and call upon Member States to swiftly implement these to abolish the barrier addressed within this paragraph. The lack of experience with commercial offtake contracts and high consulting and legal fees could also be a barrier to the growth of PPAs, particularly in the SMEs space. These challenges can be mitigated with the help of contractual standardisation.

Standard renewable PPAs – such as the EFET renewable PPA – reduce negotiation time and transaction costs, and help to build confidence with authorities and banks. The EFET renewable PPA was developed by EFET in cooperation with the RE-Source Platform. The standard contract is flexible and can be easily adapted to the needs of specific projects. It is freely available and accessible via our website (at <https://www.efet.org/home/documents?id=26>).

Finally, renewable PPAs are market-based instruments – commercial contracts between private parties - that need regulation only to the extent that that is necessary to remove barriers to their development, as explained above. Involvement of a state entity as a counterparty or guarantor to these contracts (e.g., as contemplated in Italy) is therefore not necessary. As far as the negotiations are concerned and although they are usually negotiated bilaterally, in some jurisdictions (e.g., Italy) renewable PPAs can be negotiated on platforms. In those cases, the platforms should remain open and be based on voluntary participation to ensure that the parties can negotiate freely.